



U.S. Department of Justice

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For Immediate Release:

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Event: Indictment

Defendant: Edward P. May

EDWARD P. MAY INDICTED IN \$200 MILLION PONZI SCHEME

United States Attorney Terrence Berg announced the unsealing today of a criminal indictment in federal court charging Edward P. May with fifty-nine felony counts of mail fraud in connection with a decade long Ponzi scheme affecting hundreds of metro-Detroit area individuals as well as individuals across the country. Mr. Berg was joined in the announcement by Andrew G. Arena, Special Agent in Charge, Federal Bureau of Investigation, Detroit Field Division.

If found guilty of all counts, MAY, age 73, faces a statutory maximum sentence of 20 years' incarceration on each of the fifty-nine counts of the indictment. The indictment unsealed today also includes forfeiture allegations which would require MAY to forfeit the proceeds of the charged crimes, specifically \$35,000,000, and all property traceable to such proceeds.

Specifically, the indictment alleges the following:

In 1997, Edward P. May formed E-M Management Co. LLC, which was located in rented office space in Lake Orion, Michigan. After forming E-M Management, MAY then formed over 150 LLCs and told hundreds of individuals in the Detroit metropolitan area and elsewhere across the country that the LLCs acquired telecommunications equipment and then provided telecommunications services to various hotels in Nevada, New York, New Jersey, California, elsewhere in the United States, and in foreign countries. MAY induced numerous persons to invest large amounts of money in the LLCs, purportedly for investment in “contracts” or “agreements” providing telecommunications equipment and services to various hotels which contracts and agreements in fact did not exist.

MAY caused fraudulent “private offering memorandums,” “subscription agreements,” and “investment recaps” for the LLCs to be drafted and distributed to potential investors. The offering memorandums fraudulently stated that E-M Management Co. had entered into agreements with various hotel corporations, including Hilton Hotels, Sheraton Hotels, Hyatt Hotels, and MGM Grand Hotels, to “provide all of the telecommunication services to the hotel properties” and to “install new equipment where needed, to purchase existing equipment where practicable and to cut over the services from present providers,” and fraudulently promised investors that the funds raised “will be used solely for the purpose of purchasing telephone, high speed internet, low speed internet, [and] DVD equipment.” The offering memorandums “guaranteed a minimum monthly income” to each investment LLC.

The guaranteed monthly income promised by MAY to each investment LLC ranged from over \$30,000 per month to over \$100,000 per month. MAY deceived victim investors into believing that their funds were being used and invested as represented, and concealed from victim investors and others the fact that these “investments” were actually being used to support a pyramid or “Ponzi” scheme, by paying purported investment returns to some investors with funds actually obtained from other investors.

During the scheme, MAY utilized the services of a stock broker and investment advisor to solicit investments in the LLCs. This individual was a registered representative of two securities firms that were members of the National Association of Securities Dealers, Inc.

("NASD") and the Securities Investor Protection Corporation ("SIPC") and registered as broker-dealers with the U.S. Securities and Exchange Commission ("SEC"). MAY also utilized the services of an accounting firm to legitimize the investments.

MAY diverted and misappropriated the funds invested in the LLCs to his own personal use and benefit and to the benefit of his company, E-M Management. Among other things, MAY used the money invested by individuals in the LLCs: to make payments to earlier investors which MAY falsely represented to the investors as a return of principal and income generated by the investment LLCs; to pay finder's fees, or referral fees, to several individuals who brought in new investors; to pay fees to several individuals who provided administrative assistance to MAY such as preparing and sending monthly checks and distribution reports to investors; to pay professional fees for tax preparation services for all of the investment LLCs, for MAY personally, and for MAY's other businesses; to pay for travel to and from Las Vegas; to gamble and pay personal gambling debts; to pay off personal bank loans; to personally invest in oil and gas leases and REITs; to personally invest in a number of businesses in Nevada and Michigan, including West Coast Marketing, LLC, Fore Honors Las Vegas LLC, Fore Honors LLC, Las Vegas Million Dollar Shootout LLC, Great Shots, LLC, Creto International, Inc., R3 Advertising LLC, Camelot Club Inc., and E-M Management & Associates, LLC; and to pay his ordinary living expenses.

Over the course of the scheme, MAY induced individuals to invest over \$200,000,000 in over 150 LLCs. MAY's scheme resulted in a total loss of over \$35,000,000 to the individuals who invested in the fraudulent LLCs.

United States Attorney Terrence Berg stated, "Today's charges allege a financial fraud and abuse of trust on a massive scale. Managers of investor funds owe a high duty to those who trust them to steward their savings with care and integrity. If they abuse their customers' funds and make false statements in the process, we will investigate thoroughly and take appropriate action."

Special Agent in Charge Andrew G. Arena stated, " With losses totaling over \$40 billion

per year, combating Securities and Commodities Fraud remains a priority for the FBI. The nation's economy is increasingly dependent on the success and integrity of the securities and commodities markets. As a result, there is a very real need to diligently prosecute criminal activity in the markets, which the FBI is uniquely positioned to investigate. In an effort to meet this need, the FBI remains committed to investigating and preventing all forms of Securities and Commodities Fraud.”

May is expected to appear in federal court in Detroit this afternoon to be arraigned on the indictment.

An indictment is only a charge and is not evidence of guilt. A defendant is entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

The case is being investigated by special agents of the Federal Bureau of Investigation. The case is being prosecuted by Assistant U.S. Attorneys Stephen Hiyama and Sarah Resnick Cohen.